

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
GREAT LAKES ENERGY COOPERATIVE)	
for a waiver from certain provisions)	Case No. U-20087
of the code of conduct approved by the)	
Commission in Case No. U-12134.)	
_____)	

At the February 22, 2018 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER SOLICITING COMMENTS

On February 2, 2018, Great Lakes Energy Cooperative (Great Lakes) filed an application and supporting testimony for a waiver from certain provisions of the code of conduct approved by the Commission in Case No. U-12134, if required, to facilitate the provision of high speed broadband in unserved and underserved portions of rural Michigan. Great Lakes states that in connection with its effort, the company is proceeding with the deployment of a fiber ring linking its utility substations to foster a smarter grid and to help its member consumers manage their energy use. Great Lakes' filing further advises that the fiber ring will provide critical infrastructure required to deploy broadband. According to the application, Great Lakes created a wholly owned subsidiary, Great Lakes Energy Connections, Inc., which will lease fiber from Great Lakes and provide broadband and voice services to Great Lakes' members.

Great Lakes' filing, which is attached to this order as Exhibit A, notes that inasmuch as the company's provision of high speed broadband service may be covered by the Commission's code of conduct, it is seeking a waiver of various provisions of the code of conduct to facilitate the expansion of the high speed broadband service to the underserved and unserved. More specifically, Great Lakes requests a waiver, if required, from code of conduct Sections II. A, D, E, F, H, K, and L, and Section IV. Great Lakes contends that because no increase in rates is requested in its application, *ex parte* approval is reasonable and appropriate.

The Commission finds that, before acting on Great Lakes' application, interested persons should have an opportunity to comment regarding the cooperative's request for the code of conduct waiver. To that end, the Commission directs that its Executive Secretary serve copies of this order and its attachment on all known broadband providers in this state and on Connect Michigan, a Michigan-based organization devoted to expanding broadband.

All documents filed in this case shall be submitted electronically through the Commission's E-Dockets Website at: michigan.gov/mpscdockets. Requirements and instructions for filing can be found in the E-Dockets help tab on the Commission's website. Documents may also be submitted, in Word or PDF format, as an attachment to an e-mail sent to mpscdockets@michigan.gov. If you require assistance prior to e-filing, contact the Commission Staff at (517) 284-8090 or by e-mail at mpscdockets@michigan.gov. All information received by the Commission will become public information, posted on the Commission's website, and subject to disclosure.

Any person may submit written comments regarding these issues. Written comments should be sent to: Executive Secretary, Michigan Public Service Commission, P. O. Box 30221, Lansing, Michigan 48909. Electronic comments should be e-mailed to: mpscdockets@michigan.gov. All

comments should reference Case No. U-20087 and be received no later than March 8, 2018. All comments received by the Commission will become public information, posted on the Commission's website, and subject to disclosure.

THEREFORE, IT IS ORDERED that:

A. The Commission's Executive Secretary shall serve copies of this order and its attachment on all known providers of broadband services in this state and on Connect Michigan.

B. Any interested person may, by March 8, 2018, file comments in this docket regarding the application filed by Great Lakes Energy Cooperative for a waiver from certain provisions of the code of conduct approved by the Commission in Case No. U-12134, if required, to facilitate the provision of high speed broadband in unserved and underserved portions of rural Michigan.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

By its action of February 22, 2018.

Norman J. Saari, Commissioner

Kavita Kale, Executive Secretary

Rachael A. Eubanks, Commissioner

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In the matter of the application of)
GREAT LAKES ENERGY COOPERATIVE)
for a waiver from certain provisions of the) **Case No. U-20087**
code of conduct approved by the Commission in)
Case No. U-12134, if required, to facilitate)
the provision of high speed broadband)
in unserved and underserved portions)
of rural Michigan.)
 _____)

APPLICATION

Great Lakes Energy Cooperative (“Great Lakes”) respectfully submits this application for a waiver from certain provisions of the code of conduct approved by the Michigan Public Service Commission (“Commission”) in Case No. U-12134, if required, to facilitate the provision of high-speed broadband in unserved and underserved portions of rural Michigan. In support, Great Lakes states as follows:

Description of Great Lakes

1. Great Lakes is a Michigan non-profit corporation with principal offices located in Boyne City, Michigan, engaged in the distribution and sale of electric energy to over 125,000 member customers in the counties of Antrim, Allegan, Barry, Charlevoix, Cheboygan, Clare, Crawford, Emmet, Grand Traverse, Kalkaska, Kent, Lake, Manistee, Mason, Mecosta, Missaukee, Montcalm, Montmorency, Muskegon, Newaygo, Oceana, Osceola, Oscoda, Otsego, Ottawa, and Wexford.

2. Prior to March 20, 2012, Great Lakes had been under the regulatory jurisdiction of the Michigan Public Service Commission (“Commission”).

3. Great Lakes transitioned to member regulation, in accordance with the Electric Cooperative Member-Regulation Act (the “Member Regulation Act”), MCL 460.31, in 2011-2012. See Joint Report of Staff and Great Lakes dated February 8, 2012 in Case No. U-16944. Since that time, Great Lakes sets its rates in accordance with the Member Regulation Act.

The Code of Conduct

4. In 2001, the Commission adopted a Code of Conduct, which is intended to promote fair competition by establishing measures to prevent cross-subsidization, information sharing, and preferential treatment. In summary, the Code of Conduct requires structural or functional separation when a utility provides regulated and unregulated services in order to prevent anticompetitive behavior. Specifically, with regard to providing broadband services, Section II of the Code of Conduct provides, in relevant part, that:

An electric utility or alternative electric supplier that offers both regulated and unregulated services shall do so with the structural or functional separation needed to prevent anticompetitive behavior. This includes, but is not limited to, the following:

A. An electric utility shall not offer unregulated services or products except through one or more affiliates or through other entities within the existing corporate structure, such as divisions.

* * *

D. An electric utility or alternative electric supplier and its affiliates or other entities within the existing corporate structure shall not share facilities, equipment, or operating employees, but may share computer hardware and software with documented protection to prevent discriminatory access to competitively sensitive information.

E. An electric utility’s or alternative electric supplier’s operating employees and the operating employees of its affiliates or other entities within the existing corporate structure shall function independently of each other and maintain separate offices.

F. An electric utility or alternative electric supplier shall not finance or co-sign loans for affiliates.

* * *

H. An electric utility and its affiliates or other entities within the existing corporate structure offering unregulated services or products shall not engage in joint advertising, marketing, or other promotional activities related to the provision of unregulated services, nor shall they jointly sell services. The electric utility shall not give the appearance in any way that it speaks on behalf of its affiliates or other entities within the existing corporate structure offering unregulated services or products, nor shall the electric utility permit an affiliate or other entity within the existing corporate structure offering unregulated services or products to give the appearance that it speaks on behalf of the electric utility.

* * *

K. An electric utility shall not allow its affiliates to use its logo unless the affiliate includes, in a clearly visible position and easily readable by customers, the following statement: (Affiliate name) is not regulated by the Michigan Public Service Commission.

L. If an electric utility, its affiliate, or other entity within the existing corporate offers an unregulated service, any use of its logo shall include, in a clearly visible position and easily readable by customers, the following statement: (Service) is not regulated by the Michigan Public Service Commission.

October 29, 2001 Code of Conduct, Section II.

5. Additionally, Section IV of the Code of Conduct states that “[i]nformation obtained by an electric utility or alternative electric supplier in the course of conducting its regulated business in Michigan shall not be shared directly or indirectly with its affiliates or other information within its corporate structure unless that same information is provided to competitors operating in the state on the same terms and conditions and contemporaneously.” This Section would prohibit Great Lakes from sharing with its broadband subsidiary customer names/addresses or other information without also sharing that information with its competitors.

6. Section VI of the Code of Conduct provides that an electric utility “may request a waiver from one or more provisions of this code of conduct.” To obtain such a waiver, the utility

must show that “a waiver will not inhibit the development or functioning of the competitive market.” *Id.* In granting prior waivers, the Commission has always considered whether such waivers were “reasonable and **in the public interest.**” See, e.g., *In re Consumers Energy Company & The Detroit Edison Company*, Case No. U-12134 (NSP-W) (Jan 21, 2003, p 4; May 23, 2003, p 3; December 18, 2003, p 2) (emphasis added); *In re Thumb Electric Cooperative*, Case No. U-14778 (April 30, 2009, p 2; May 1, 2012, p 2). In making this decision, the Commission has considered the “support” for an offered program, *In re Consumers Energy Company & The Detroit Edison Company*, Case No. U-12134 (February 20, 2003, p 8), as well as the “potential[] benefit” to the public. *In re Consumers Energy Company & The Detroit Edison Company*, Case No. U-14283 (June 30, 2005, p 5).

Code of Conduct Waiver

7. Great Lakes is working to bring high-speed broadband service to unserved and underserved portions of rural Michigan. In connection with that effort, Great Lakes is proceeding with the deployment of a fiber ring that links its substations for the purpose of fostering a smarter grid. Great Lakes has also created a wholly owned subsidiary, Great Lakes Energy Connections, Inc., which will lease fiber from Great Lakes and provide broadband and voice services to Great Lakes’ members. This project will ultimately help member consumers manage their energy use and provide the critical infrastructure required to deploy broadband.

8. Inasmuch as the provision of high speed broadband service to unserved and underserved rural areas may be covered by the Commission’s Code of Conduct adopted in Case No. U-12134, this filing and the accompanying testimony of Great Lakes’ CEO William Scott, are submitted in support of all necessary Code of Conduct waivers.

9. Mr. Scott's testimony requests and supports code of conduct waivers from portions of Sections II. A, D, E, F, H, K and L and Section IV, if required.

10. In the event it is determined that additional waivers are required to allow Great Lakes and its subsidiary to provide high speed broadband to unserved and underserved portions of rural Michigan, Great Lakes requests that such additional waivers be granted.

11. Great Lakes represents that the requested waivers are reasonable, appropriate and in the public interest.

12. Inasmuch as no increase in rates is requested in this application, an expedited, *ex parte* approval is respectfully requested.

WHEREFORE, Great Lakes respectfully requests an expedited, *ex parte* order granting the code of conduct waivers requested herein, or a ruling that no such waivers are required.

Respectfully submitted,

DYKEMA GOSSETT PLLC

Attorneys for
Great Lakes Energy Cooperative

Jason T.

Digitally signed by: Jason T. Hanselman

By **Hanselman**

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Dated: February 2, 2018

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STATE OF MICHIGAN
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In the matter of the application of) GREAT LAKES ENERGY COOPERATIVE) for a waiver from certain provisions of the) code of conduct approved by the Commission in) Case No. U-12134, if required, to facilitate) the provision of high speed broadband) in unserved and underserved portions) of rural Michigan.))	Case No. U-20087
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DIRECT TESTIMONY AND EXHIBITS

OF

WILLIAM M. SCOTT

ON BEHALF OF

GREAT LAKES ENERGY COOPERATIVE

February 2, 2018

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

<p>In the matter of the application of)</p> <p>GREAT LAKES ENERGY COOPERATIVE)</p> <p>for a waiver from certain provisions of the)</p> <p>code of conduct approved by the Commission in)</p> <p>Case No. U-12134, if required, to facilitate)</p> <p>the provision of high speed broadband)</p> <p>in unserved and underserved portions)</p> <p>of rural Michigan.)</p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p>Case No. U-20087</p>
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DIRECT TESTIMONY OF WILLIAM M. SCOTT

Q1 PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A₁ My name is William M. Scott. My business address is 1323 Boyne Ave., PO Box 70, Boyne City, MI 49712.

Q2 BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A₂ I am the President and CEO of Great Lakes Energy Cooperative (“Great Lakes” or the “Company”), a position I assumed in 2016.

Q3 PLEASE SUMMARIZE YOUR BACKGROUND.

A₃ I attended Eastern Illinois University, where I earned a Bachelor of Science Degree in Business and earned my Master’s Degree in Accounting from Nova Southeastern University.

During the years 1981 through 1985, I held various positions of increasing responsibility at City of Lakeland Electric & Water Utilities. Between 1985 and 2002, I was employed by Lee County Electric Cooperative in North Ft. Myers, Florida in various positions culminating as the Manager of Finance and Accounting. In 2002, I joined Great

Lakes and acted as the Chief Financial Officer until 2016. I assumed the position of President and CEO in 2016.

Q₄ PLEASE DESCRIBE GREAT LAKES.

A₄ Great Lakes is a Michigan non-profit corporation with principal offices located in Boyne City, Michigan, engaged in the distribution and sale of electric energy to over 125,000 member customers in the counties of Antrim, Allegan, Barry, Charlevoix, Cheboygan, Clare, Crawford, Emmet, Grand Traverse, Kalkaska, Kent, Lake, Manistee, Mason, Mecosta, Missaukee, Montcalm, Montmorency, Muskegon, Newaygo, Oceana, Osceola, Oscoda, Otsego, Ottawa, and Wexford.

Q₅ WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?

A₅ Great Lakes is working with a coalition of allies and appropriate state and federal officials to bring high-speed broadband service to unserved and underserved portions of rural Michigan. Great Lakes has formed Great Lakes Energy Connections, Inc. (“GLE Connections”) as a wholly owned subsidiary of Great Lakes in relation to rolling-out its broadband product and currently plans to deploy a fiber communications ring that links its substations for the purpose of fostering a smarter grid. Not only will this asset ultimately help member consumers manage their energy use, it will provide the critical infrastructure required to deploy broadband while maintaining high service reliability.

Inasmuch as providing high speed broadband service to unserved and underserved rural areas may be covered by the Commission’s Code of Conduct adopted in Case No. U-12134, this filing and my testimony are submitted in support of all necessary Code of Conduct waivers.

1 As discussed in the Application, Great Lakes' wholly owned subsidiary, GLE
2 Connections, promotes and markets products that are not regulated, including broadband
3 service (described below), and that are sold to retail customers. GLE Connections
4 receives the revenue from the sales of these services,

5 **Q₆ HAS GREAT LAKES OBTAINED PRIOR WAIVERS FROM THE**
6 **COMMISSION WITH RESPECT TO THE CODE OF CONDUCT?**

7 **A₆** Yes. Great Lakes received waivers from the Commission from the Code of Conduct in
8 Case No. U-12134 on October 3, 2002. In that case, the Commission granted Great
9 Lakes a waiver from Section II.F. to allow Great Lakes to finance or co-sign loans for
10 affiliates. The Commission also granted Great Lakes' waiver from Section II.K. and II.L.
11 to allow the joint use of its logos so long as costs are fully and appropriately allocated
12 between regulated and unregulated services or affiliates and so long as promotional
13 material did not include mass marketing material such as newspaper or magazine
14 advertisements, bill boards, etc. Finally, the Commission also granted Great Lakes a
15 waiver from Section IV to allow for the disclosure of certain information for
16 telecommunication ventures so long as the use of the information was for Great Lakes
17 telecommunication ventures only and costs were appropriately allocated. The order in
18 Case No. U-12134 made clear that the waivers granted in that order applied only to
19 programs contemplated in the request for waivers and new waivers would need to be
20 sought for new projects.

21 Great Lakes also notes for the Commission that several other electric cooperatives
22 have filed applications for similar waivers for similar scenarios. *See* Midwest, Docket
23 No. U-15206; Homeworks, Docket No. U-20057. The Commission has granted electric

cooperatives *ex parte* relief with regard to the Code of Conduct in several cases, explaining that such relief was appropriate because no rate increase is requested. *See, e.g.,* Case Nos. U-17513 and U-14778.

Q₇ PLEASE DESCRIBE GLE CONNECTIONS AND SUMMARIZE THE SERVICES IT PROVIDES.

A₇ GLE Connections is a wholly owned subsidiary of Great Lakes that was established in 2018 specifically to provide broadband service and potentially voice service, as well. Great Lakes anticipates a symbiotic relationship with GLE Connections in order to ensure that Great Lakes can provide broadband at a low cost to customers.

Q₈ PLEASE DESCRIBE THE REQUESTED WAIVERS RESULTING FROM THE PROVISION OF HIGH SPEED BROADBAND SERVICE IN UNSERVED AND UNDERSERVED RURAL AREAS.

A₇ Set forth below are applicable provisions of the Code of Conduct, requested waivers and the bases therefore:

II. Separation

An electric utility...that offers both regulated and unregulated services shall do so with the structural or functional separation needed to prevent anticompetitive behavior. This includes, but is not limited to, the following:

A. An electric utility shall not offer unregulated services or products except through one or more affiliates or through other entities within the existing corporate structure, such as divisions.

Great Lakes plans to provide broadband services to underserved members through GLE Connections. According to the Federal Communications Commission (“FCC”) data competitive maps, approximately 80% of residents within the Great Lakes’ service

1 territory **are currently underserved or unserved** when it comes to high-speed internet
2 access. Thus, there is no real competitive concern implicated here and the concerns
3 intended to be covered by the Code of Conduct are not present. Moreover, preventing
4 Great Lakes' subsidiary from offering broadband services would be to the detriment of
5 those underserved or unserved rural locales. The proposed corporate structure is attached
6 hereto as Exhibit A. For these reasons, to the extent required, Great Lakes requests a
7 waiver from Section II.A. of the Code of Conduct for the provision of high speed
8 broadband in unserved and underserved rural areas.

9 **D. An electric utility...and its affiliates or other**
10 **entities within the existing corporate structure**
11 **shall not share facilities, equipment, or operating**
12 **employees, but may share computer hardware**
13 **and software with documented protection to**
14 **prevent discriminatory access to competitively**
15 **sensitive information.**

16 Great Lakes requests a waiver of Section II.D. to allow the Company to share
17 facilities, equipment, and operating employees with GLE Connections, in order to
18 facilitate the provision of high speed broadband service in unserved and underserved
19 rural areas. Great Lakes plans to continue to allocate costs in compliance with Code of
20 Conduct requirements and the expense allocation manual attached as Exhibit B. As noted
21 above, a key purpose of planned investment is to foster a smarter grid. The proposed
22 investment will ultimately help member consumers manage their energy use – not to
23 mention the provision of high speed broadband service in unserved and underserved rural
24 areas. If the Commission denies the requested waiver to Section II.D., being forced to
25 maintain separate facilities, equipment, and/or operating employees will likely make the
26 provision of high speed broadband less affordable to our rural consumers.

E. An electric utility's...operating employees and the operating employees of its affiliates or other entities within the existing corporate structure shall function independently of each other and maintain separate offices.

Great Lakes requests a waiver of Section II.E. to allow the Company to share operating employees with GLE Connections and so that separate offices not be required. First, as noted above, a key purpose of planned investment is to foster a smarter grid. The proposed investment will ultimately help member consumers manage their energy use – not to mention the provision of high speed broadband service in unserved and underserved rural areas. Second, Great Lakes will continue to allocate costs in compliance with Code of Conduct requirements and the expense allocation manual attached as Exhibit B. Third, just as was the case with the requested waiver for Section II.D., if the Commission denies the requested waiver to Section II.E., requiring operating employees within the existing corporate structure to function independently of each other and maintain separate offices will likely make the provision of high speed broadband less affordable to our rural consumers.

F. An electric utility or alternative electric supplier shall not finance or co-sign loans for affiliates.

Although Great Lakes will directly finance the cost of its fiber infrastructure, GLE Connections likely will require financing for certain costs related to its internet service provider operation. Great Lakes anticipates co-signing loans for GLE Connections as it begins offering those services and thus requests a waiver for Section II.F. Just as was the case with the requested waiver for Section II.D. and II.E., if the Commission denies the requested waiver to Section II.F., prohibiting Great Lakes from

financing or co-signing loans for GLE Connections, it will make providing high speed broadband less affordable to our rural members.

H. An electric utility and its affiliates or other entities within the corporate structure...offering unregulated services or products shall not engage in joint advertising, marketing, or other promotional activities related to the provision of unregulated services, nor shall they jointly sell services. The electric utility shall not give the appearance in any way that it speaks on behalf of its affiliates or other entities within the existing corporate structure offering unregulated services or products, nor shall the electric utility permit an affiliate or other entity within the existing corporate structure offering unregulated services or products to give the appearance that it speaks on behalf of the electric utility.

Due to the nature of the products and services offered, Great Lakes requests that a waiver from Section II.H. of the Code of Conduct be granted with regard to broadband services. GLE Connections intends to use Great Lakes' trademarked logo, which is widely respected in the market area and provides customers with assurance of reliability and satisfaction associated with that service. Great Lakes will continue to apply the expense allocation manual (Exhibit B), which will be updated to reflect any changes in business and environment, but allowing joint advertising would help support Great Lakes' overall goals here—improve the smart grid and provide broadband service to its underserved and unserved members. Great Lakes requests a waiver from Section II.H. of the Code of Conduct for the provision of high speed broadband in unserved and underserved rural areas.

K. An electric utility shall not allow its affiliates to use its logo unless the affiliate includes, in a clearly visible position and easily readable by customers, the following statement: (Affiliate name) is not regulated by the Michigan Public Service Commission.

Great Lakes requests a waiver of Section II.K. to allow use of Great Lakes' logo by GLE Connections without the statement regarding regulation. As noted above, a key purpose of planned investment is to foster a smarter grid. The proposed investment will ultimately help member consumers manage their energy use – not to mention the provision of high speed broadband service in unserved and underserved rural areas. Moreover, just as was the case with the requested waiver for Section II.D., if the Commission denies the requested waiver to Section II.K., requiring a statement distinguishing regulated services will likely make the provision of high speed broadband less affordable to our rural consumers.

L. If an electric utility, its affiliate, or other entity within the existing corporate [structure] offers an unregulated service, any use of its logo shall include, in a clearly visible position and easily readable by customers, the following statement:

(Service) is not regulated by the Michigan Public Service Commission.

Just as with Great Lakes' request with respect to Section II.K., Great Lakes requests a waiver of Section II.L. to allow use of Great Lakes' logo by GLE Connections without the statement regarding regulation for the same reasons.

Section IV. Disclosure of Information. Information obtained by an electric utility...in the course of conducting its regulated business in Michigan shall not be shared directly or indirectly with...other entities within its corporate structure unless that same information is provided to competitors operating in the state on the same terms and conditions and contemporaneously.

Great Lakes requests a waiver from Section IV. Prohibiting information sharing between Great Lakes and its subsidiary would be inefficient and would make the provision of high speed broadband less affordable to our rural consumers, which is the goal of providing this service. Moreover, this provision is facially anti-competitive and unwarranted given the circumstances here. Great Lakes anticipates that GLE Connections will offer its services primarily only to Great Lakes' existing members. Great Lakes created GLE Connections with the main purpose of serving its own members by providing a service that is otherwise lacking in these areas (i.e., there are very few competitors in these areas that provide such service).

Q₈ ARE GREAT LAKES' RATES SET BY THE COMMISSION?

A₈ No. In 2012, Great Lakes transitioned to member regulation, in accordance with the Electric Cooperative Member-Regulation Act (the "Member Regulation Act"), MCL 460.31. Since that time, Great Lakes sets its rates in accordance with the Member Regulation Act. Accordingly, Great Lakes must satisfy the applicable TIER requirements and, therefore, has no incentive to over-earn. As such, although the Commission has no formal process by which to confirm Great Lakes' compliance with the expense allocation manual, Great Lakes has set—and will continue to set—rates in a manner that ensures there will be no inappropriate costs subsidies with regard to Great Lakes' rate structure.

1 **Q₉ HAVE THERE BEEN ANY FORMAL COMPLAINTS FILED WITH THE**
2 **MICHIGAN PUBLIC SERVICE COMMISSION AGAINST GREAT LAKES**
3 **WITH RESPECT TO THE CODE OF CONDUCT?**

4 A₉ No, there have not been any formal complaints filed against Great Lakes with the
5 Michigan Public Service Commission.

6 **Q₁₀ DOES THIS CONCLUDE YOUR INITIAL PREFILED DIRECT TESTIMONY IN**
7 **THIS DOCKET?**

8 A₁₀ Yes, it does.

Exhibit A

Corporate Structure

Great Lakes Energy Cooperative



Great Lakes Energy Connections, Inc.
(a wholly-owned subsidiary of Great Lakes Energy Cooperative)

Exhibit B

Great Lakes Energy Cooperative

Allocation Methods for Distributing Costs to Unregulated Operations

Great Lakes Energy Cooperative (“Great Lakes”) has created a wholly-owned subsidiary called Great Lakes Energy Connections, Inc. (“GLE Connections”) for implementing its planned broadband development. Great Lakes Energy Cooperative will provide various services to its subsidiary, such as administrative, marketing, financial, customer service support, and facilities. These costs are allocated to GLE Connections as set forth in this policy.

Salaries and Wages:

Salaries and wages costs are distributed based upon the number of hours worked supporting the subsidiary. Payroll is processed on a bi-weekly basis, with a monthly total being allocated to each subsidiary account after the last pay of each month. The accounting software handles this allocation.

Payroll Overheads/Benefits:

Payroll Overheads are comprised of the Federal OASDI, Medicare, federal unemployment, and state unemployment taxes.

Benefits are comprised of health coverage, life insurance, long term disability, employer 401K contribution, and retirement.

The monthly costs of these overheads and benefits are totaled each month and divided into the monthly payroll. The percent derived from the calculation is then applied to the salaries and wage costs captured in the payroll system for GLE Connections to determine the amount to charge for payroll overhead/benefits. The accounting software handles that allocation.

Vacation, sick, and holiday expenses are totaled each month and divided into the monthly payroll. The percent derived from the calculation is then applied to the salaries and wage costs captured in the payroll system for GLE Connections to determine the amount to charge for payroll overhead/benefits. The accounting software handles this allocation.

Workers compensation coverage cost is allocated to GLE Connections at the time such invoice is paid by the cooperative. The expense allocated is based on the salary expense for the unregulated operations.

Facility Costs:

Great Lakes allocates building insurance, depreciation, property taxes, and utility costs to each company/activity based on the percentage of the square feet occupied by such company/activity.

Great Lakes calculated a monthly charge for common office space and office equipment costs, which will be allocated to each company/activity based on each unit’s number of square feet occupied. This charge covers common areas, break rooms, copy machines, telephones, fax machines, and building maintenance.

Land, warehouse, and outside vehicle storage in all offices is leased annually.

All of these prices are based on the higher of actual or the estimate of the current fair market value. Great Lakes updates those costs periodically.

All office equipment and furniture will be billed to the appropriate company as purchases are made.

Vehicle Costs:

Great Lakes anticipates very little use of cooperative vehicles by GLE Connections. Where needed, Great Lakes anticipates that GLE Connections will own vehicles. The cost of Great Lakes' vehicles used to travel to GLE Connections' locations, or on behalf of GLE Connections' activities is allocated based on actual costs per mile. This includes the operating cost of the vehicle (depreciation, insurance, fuel, and repairs).

Miscellaneous Costs:

GLE Connections will have its own bank accounts and accounts payable system and directly pays its own vendor invoices. There are some instances described below where a bill is paid by Great Lakes and allocated to GLE Connections' receivable account:

1. Country Lines member publication ads. Where GLE Connections' activities uses this medium for advertising, the bill is allocated to the various beneficiaries based on the rate scale provided by the publisher.
2. Corporate image advertising that promotes Great Lakes and GLE Connections are allocated according to the space allocated for each of the business lines represented in the ad.
3. Country Lines publication is mailed to Great Lakes' customers. To the extent Country Lines is mailed to GLE Connections' customers who are not also Great Lakes' customers, the cost thereof will be allocated to each business based on the proportionate number of customers.
4. Yellow page directory advertising includes costs for Great Lakes and GLE Connections. The cost thereof is allocated to each business based on the portion of the overall ad that mentions the various lines of businesses.
5. Occasionally, when office supplies are ordered, the order may include purchase of office supplies for GLE Connections' activity. The office supplies ordered for GLE Connections' activities are charged to GLE Connections at the direct cost amount.
6. Other examples that the cooperative may purchase and charge directly to GLE Connections are cell phone charges, remote call center, legal services, and accounting services.

Invoices are directly charged to GLE Connections. Any invoices that include both Great Lakes and GLE Connections' costs are allocated as described above.

There are no outstanding loans between Great Lakes and GLE Connections.